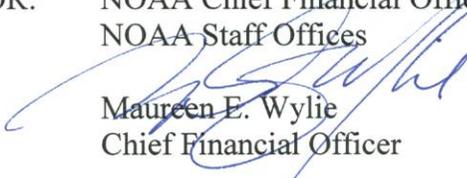




UNITED STATES DEPARTMENT OF COMMERCE  
National Oceanic and Atmospheric Administration  
CHIEF FINANCIAL OFFICER

September 15, 2011

MEMORANDUM FOR: NOAA Chief Financial Officers  
NOAA Staff Offices

FROM:   
Maureen E. Wylie  
Chief Financial Officer

SUBJECT: Policies and Procedures for Management and Administrative  
(M&A) Costs

Background:

Management and Administrative (M&A) activities and their costs are essential to the completion of NOAA's mission and represent part of the full cost of NOAA's direct programs. Over the past year, outside groups including GAO have completed reviews of NOAA's M&A practices. GAO concluded in their report that NOAA's M&A activities should be better defined, standard M&A categories adopted, compliance with accounting standards verified, and policies and procedures documented and reviewed on a regular basis. NOAA formed an Administrative Cost Working Group to complete this effort and enlisted an outside contractor to provide a report and recommendations.

Purpose:

The purpose of this memorandum is to establish policy for NOAA's formulation, execution, and control of M&A costs. This includes adopting a standard set of M&A functions for use by NOAA staff offices and NOAA line office headquarters beginning in FY 2012. Detailed policies and procedures for NOAA corporate M&A and line office headquarters are now captured in Chapter 12 of the Finance handbook. The handbook can be found on the Finance Office website: <http://www.corporateservices.noaa.gov/finance/Finance%20Handbook.htm>.

Policy:

The policies in the handbook chapter (and summarized below) better define M&A activities in NOAA, outline standard practices for presenting, executing, and tracking M&A costs, and provide for control, adherence to standards, and periodic review. Specifically on adherence to standards, NOAA reviewed compliance with the Statement of Federal Financial Accounting Standards #4 to evaluate the line office methodologies of assessing M&A costs to direct programs. Line offices have generally assessed M&A costs to programs on the basis of federal labor costs, total budget authority, or a combination of these approaches. These practices comply with the guidelines established in SSFAS #4 for distributing common or general and administrative costs. While some variation in line office approaches exists, they are based on the composition of their programs and budgets and are appropriate to their operating environments. The approaches have been documented and will be followed consistently.



Definition of Management and Administrative - NOAA's M&A costs represent those activities supporting multiple program components for the organization it supports, rather than a single program or activity. For example, NOAA corporate offices provide M&A support for all the line offices, and a line office supports all the Financial Management Centers (FMCs) or "program offices" in its line office.

Budget Formulation - NOAA corporate offices and line offices will provide information on estimated M&A costs in the budget formulation cycle. Line offices will produce budget estimates including resources required by M&A function for publication as an exhibit in the President's Budget.

Budget Execution - Beginning in FY 2012, NOAA line office headquarters will adopt a standard coding convention for M&A activities in six major functions: Executive Management, Budget and Finance, Human Resources (including EEO), Facilities (and other Administrative activities), Information Technology, and Acquisition and Grants. Line offices will use a standard character in the CBS project code for their headquarters M&A functions. This will not conflict with existing efforts to capture Information Technology and Facilities related costs across NOAA using task codes. NOAA corporate offices will not require new codes as the existing organizational structure already lends itself to reporting in these categories. Additional detail on the M&A functions can be found in the Finance handbook chapter.

Roles, Standards, and Control - NOAA's M&A cost practices fall under the oversight of the NOAA Chief Financial Officer. The CFO Council will serve as the senior review body for M&A policies and procedures and will review them and any changes on at least an annual basis. Additional detail on roles can be found in the Finance handbook chapter.

Taken together, these steps represent significant advancement in NOAA's Management and Administrative costs practices with improvements to transparency, consistency, standards, and documentation. NOAA strives to continue to provide efficient and effective M&A services in support of NOAA's mission.